



## ***Financial Oversight Committee Meeting***

1829 Denver West Dr., Building 27  
Golden, CO 80401

### **Meeting Minutes** **December 4, 2018 – 10:00 a.m.**

#### **Financial Oversight Committee (FOC)**

##### **Members Present:**

Brian Ballard  
Mike Bestor  
Gordon Calahan  
Mary Everson  
Scott Tarbox  
Bob West

##### **Staff Present:**

Kathleen Askelson, Chief Financial Officer  
Steve Bell, Chief Operating Officer  
Dr. Jason Glass, Superintendent  
Nicole Stewart, Director, Budget and Treasury  
Stephanie Corbo, Director, Finance  
Debbie Ranguet, Exec. Assist. to CFO

##### **Committee Members and Staff Absent:**

##### **Independent Auditor and Other:**

Haley Miller, CliftonLarsonAllen, LLP  
Brian Kelso and Yoon-Sook Moon,  
R.W. Baird & Co.

**Welcome and Introductions:** Brian Ballard declared a quorum. There was discussion regarding the announcement for passage of the 5B Bond ballot issue.

**Approval of the Minutes:** Gordon Calahan moved to approve the minutes of October 2 and November 6. Brian Ballard seconded. The motion carried unanimously and the minutes were approved as presented.

**Bond Financing:** Brian Kelso and Yoon-Sook Moon with Robert W. Baird & Co. presented a municipal market update and preliminary information on a proposed 2018 general obligation bond structure. The presentation included information on interest rate trends; bond issuance options based on capital project cost estimates and schedule; proceeds use and estimates; existing and proposed debt service; future issuances; considerations for a 2018 bond sale – interest rate risk, municipal bond supply and issuance forecast and timing of other school district issuance; timeline; and sample bond sale announcement. The committee discussed the timing for other district bond issuances, arbitrage rules and penalties, future issuances, principal payment timing, debt modeling, capital projects and spending plan.

Askelson presented information and recommendations for investment of bond proceeds. Key highlights of the presentation were the proposed use of a repurchase agreement, also known as guaranteed investment contract, and benefits that included providing a safe investment vehicle, potential for higher yields than other money market alternatives, opportunity for diversification to other money market investments, draw-down schedule and multi-year investment. Askelson commented on investment risks, shared the Government Finance Officers Association Best Practice on Repurchase Agreements and confirmed that the use of a repurchase agreement is acceptable under district policy and state laws. The investment vehicle will be bid to third parties by Causey Demgen & Moore and bidders pay a fee for the service. Interim placement of bond proceeds will be with CSafe. There was discussion regarding collateral requirements and options for structuring the repurchase agreement.

Askelson requested that the committee provide feedback on the bond financing and use of repurchase agreement as an investment vehicle for the bond proceeds to be communicated to the Board as part of the documentation for the Bond Resolution that will be presented to the Board at their December 13 meeting. Staff will email to the committee the debt modeling spreadsheet that will include the 2018 bond and a preliminary structure for a 2020 bond issuance.

**2017/2018 Comprehensive Annual Financial Report Review with Auditors:** Haley Miller with CliftonLarsonAllen, the external audit firm for the district, covered the audit results for the Comprehensive Annual Financial Report (CAFR) for Fiscal Yearend 2018. Highlights of the presentation included auditors' responsibilities, audit scope, presentation of the financial statements and compliance reports, and required communications and deliverables. Miller clarified that the auditors do not opine on district internal controls, the Management's Discussion and Analysis Section (MD&A) section of the CAFR, and the CAFR transmittal. Other key discussion covered GASB Statements No. 68 and 75, relating to the district's PERA Defined Benefit Pension Plan and OPEB Plan, trends for the General Fund fund balance, and capital assets deferred maintenance. Miller commended the district on the external audit results noting there were no findings with the single audit on Title II/Part A and the Nutrition Cluster and an unmodified opinion with no findings on the financial statements.

**Budget Update – 5A Integration into Budget Process, 2017/018 Budget Increase results, School Improvement Fund Follow-up, and Community Engagement:** Askelson reviewed the process and status of budgeting for the 5A Mill Levy Override funding for current year and 2019/2020. She noted that the process will be a completely separate/parallel process from the annual budget increase requests and that the process will include review and prioritization by cabinet as well as input from the public through a community online questionnaire. The report on 2017/2018 budget increase results and the school improvement fund follow-up will be presented at the January meeting.

**FOC Conclusions/Recommendations:** The committee discussed the information received regarding the use of a repurchase agreement to invest bond proceeds and on the bond structure for the series 2018 general obligation bonds. The committee concluded that a repurchase agreement is a safe option for investment of the bond proceeds and that the use of this investment vehicle is a good strategy due to the fact that it has potential for higher yields and diversification compared to other market alternatives, accommodates a draw-down schedule, provides for a multi-year investment, and is an allowable use under district policy. Based on these conclusions, the FOC concurs with the recommendation by staff to use a repurchase agreement as a strategy for investment of bond proceeds in the interim until funds are spent.

With regard to the information received on the bond structure for the \$567 million general obligation bonds authorized by voters in November, the committee concluded that staff took the necessary steps for scheduling reviews with rating agencies Moody's and S&P Capital immediately following the Election that, along with preparing the preliminary offering statement, positioned the district for a December bond sale. The committee also concluded that the current market environment, interest rate volatility, municipal bond supply, and limited competition from other school district bonds provided a favorable opportunity for the district to issue bonds in December. The committee further concluded that issuing in December is a sound business strategy and that issuing in two waves is a conservative and thoughtful strategy. The committee confirmed that the issuance amount is consistent with ballot language and designed to comply with IRS criteria; and that the proposed bond structure is consistent with historically conservative debt management practices, in compliance with election authorization language and sensitive to taxpayers. FOC believes the recommendation by staff to make principal payments to reduce interest indebtedness is prudent. FOC concurs with the recommendation by staff and the bond underwriters to proceed with a bond issuance in December 2018 for \$341.4 million of the authorized \$567 million with the remaining 2018 authorization expected to be issued in 2-3 years as needed for

capital projects. The FOC Conclusions/Recommendations will be submitted with the December 13 Board of Education meeting agenda item for the Bond Resolution.

**Wrap Up and Next Meetings:** Askelson confirmed upcoming dates for FOC and Board of Education meetings. There was discussion regarding the January meeting; the next meeting will remain as scheduled for January 8, 2019. Everson requested that questions on the Comprehensive Annual Financial Plan be added to the January meeting agenda.

The meeting adjourned at 11:35 a.m.